

106TH CONGRESS
1ST SESSION

H. R. 1914

To amend the Internal Revenue Code of 1986 to permit cooperatives to pay dividends on preferred stock without reducing patronage dividends.

IN THE HOUSE OF REPRESENTATIVES

MAY 24, 1999

Mr. THOMAS introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to permit cooperatives to pay dividends on preferred stock without reducing patronage dividends.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. PAYMENT OF DIVIDENDS ON STOCK OF CO-**
4 **OPERATIVES WITHOUT REDUCING PATRON-**
5 **AGE DIVIDENDS.**

6 (a) IN GENERAL.—Subsection (a) of section 1388 of
7 the Internal Revenue Code of 1986 (relating to patronage
8 dividend defined) is amended by adding at the end the
9 following: “For purposes of paragraph (3), net earnings
10 shall not be reduced by amounts paid during the year as

1 dividends on capital stock or other proprietary capital in-
2 terests of the organization to the extent that the articles
3 of incorporation or bylaws of such organization or other
4 contract with patrons provide that such dividends are in
5 addition to amounts otherwise payable to patrons which
6 are derived from business done with or for patrons during
7 the taxable year.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall apply to distributions in taxable years
10 beginning after the date of the enactment of this Act.

○